

MAINE BUREAU OF INSURANCE

Insurance Issues in the Sharing Economy:

Important Points to Consider Before “Sharing” Your Car or Home

The sharing economy has transformed the way people travel, and home and car owners have new ways of earning income through their property from renters and riders.

These business models present new opportunities, but also new risks. Those who participate in these online sharing platforms should know what those risks are and how to protect themselves from losses and liabilities.

Traditional insurance policies usually exclude losses on a covered property that is rented or shared. If you are considering using your car or home to earn income, it is a good idea to consult an insurance professional to ensure that you have the insurance protection that is right for you.

Car and Ride Sharing

There are many different car and ride sharing platforms, and the insurance protection provided by each varies. Unless you have arranged for special coverage through your agent or insurance company, you should generally assume that your personal auto policy will not cover you while you are renting out your car or using it to give rides to paying customers.

Transportation Network Company (TNC):

If you are offering rides to paying customers through a TNC, such as Uber or Lyft, Maine law requires you to have an insurance policy that meets more stringent liability standards than those on personal policies. This more stringent coverage can be obtained by the driver, the company, or a combination of the two, but drivers should make sure coverage is in place. Maine law requires TNCs and their drivers to have coverage for the driver's liability to third parties (such as passengers, pedestrians, or other drivers). The law is primarily concerned with protecting others who may be harmed by the service that you provide.

It's important to note that even if you have the required enhanced liability coverage, it may not protect you against physical damage to your vehicle while you are logged into a TNC's digital network. This gap in coverage could be especially problematic if you have not paid off the loan on your vehicle. Driving your car without physical damage protection would probably violate the terms of the loan agreement between you and your lender, and it could be very costly for you. If you totaled your vehicle in an accident while driving for a TNC, your loss would not be covered but you would still owe your lender the balance of your loan.

Before driving for a TNC, you should contact your personal auto insurer and determine what coverage, if any, will be available while offering rides in your covered vehicle. You should also review any contract you have with a lienholder to ensure that you are not violating the terms of such an agreement.

Peer-to-peer Car Sharing Program:

If you are renting your car through a peer-to-peer car sharing program, such as Turo or Getaround, Maine law requires the company to cover your vehicle under a policy that provides liability; but the law does not require the company to provide physical damage coverage. Acquiring physical damage protection would be up to you.

The minimum liability limits of the policy must be three times the limits for personal auto policies and the policy must cover at least the replacement cost amount of the shared vehicle. The company should provide you with written proof of compliance with these insurance requirements and you should keep this proof in your vehicle any time that it is being shared.

Like transportation network companies, the law does not require peer-to-peer car sharing programs to provide comprehensive or collision coverage. Thus, unless the company provides this coverage voluntarily, you may not be protected from the theft of your vehicle or damage that occurs to it while it is being shared. Even if your personal auto policy includes comprehensive and collision coverage, it will likely exclude losses that occur when the vehicle is rented. This gap in coverage could have serious financial consequences for vehicle owners.

If you cover your vehicle through a program provider, read the terms of the coverage carefully to ensure it is adequate. It would be wise to contact your personal auto insurer and determine what other coverage options are available; and if you have a car loan, you should review your contract with your lienholder to ensure that you are not violating the terms of the agreement.

Carpooling:

Some mobile apps facilitate carpooling by connecting riders and drivers and helping them share costs. Normally carpooling will not affect coverage under your personal auto policy if you are not offering rides for hire. If you are unsure whether your carpooling arrangement is acceptable, read your policy and speak with your insurance company or agent.

Home Sharing

Home sharing companies like Airbnb and HomeAway help consumers rent out a personal residence. However, dwelling, homeowners and renters insurance policies are not tailored to business use and may prohibit the rental of your property. To avoid cancellation of your policy, check with your insurance company or agent so that you know what your policy allows before hosting paying guests.

Also, you should not assume that your homeowners policy will cover your exposure for the injuries of renters. Although a homeowners insurance policy will typically include liability coverage for injuries to non-paying visitors, it typically does not provide liability coverage for paying guests. A law suit brought against you due to injury on your property could make you liable for large sums of money that could even be charged against your future earnings.

Renting out a home without having specific coverage for commercial use may also mean that any theft or damage claims will be denied by your insurer.

Some home sharing companies offer insurance to protect you against renters' claims and to cover damage to your property. These policies may be a good option to fill coverage gaps. If your home sharing company does not offer host protection insurance, or if the coverage still leaves gaps, you may be able to add coverage to your existing homeowners policy. Because covering exposure with multiple policies is complicated, you should consult with an insurance agent to fill any coverage gaps without paying for duplicate coverage.

Conclusion

Although car, ride, and home sharing platforms are the most visible innovations in the sharing economy, there are other platforms that allow consumers to rent and share everything from tools and equipment to household cleaning services. Whatever the niche market may be, you should be aware that traditional insurance products will not always protect you from the special risks of a sharing program. Before participating in a such an arrangement, you should review your coverage options with an insurance agent.

24-A M.R.S. § 7303; § 7304(4)